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United States Senate

COMMITTEE ON FINANCE
WASHINGTON, DC 20510-6200

January 26, 2021

Dr. Phillip Swagel
Director, Congressional Budget Office
Ford House Office Building, Fourth Floor
Washington, DC 20515

Delivered via E-Mail

Dr. Swagel,

Concerns were raised last year about a possible decline in the national average wage index (AWI), which is used to help determine Social Security benefits.

In mid-July of last year, the Social Security Administration speculated that, given experience up to that point in time, "...the 2020 AWI would actually be about 5.9 percent below the level of the 2019 AWI..."¹

The AWI depends partly on aggregate payroll earnings and the number of workers who receive IRS W-2 forms. Given lags in data compilation, the actual value of the 2020 AWI and the percent change in the AWI between 2019 and 2020 won't be known until later this year.

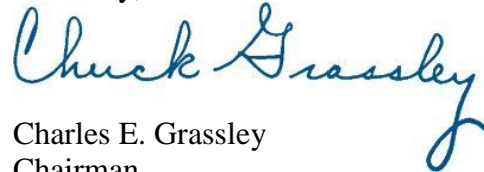
Many speculated that the pandemic could have led to a large decline in the AWI in 2020, largely because of a possibility that aggregate payroll earnings could have declined significantly during 2020. Incoming data since the onset of the pandemic, and since the Social Security Administration's mid-July speculation about the 2020 AWI, appear to indicate that there will not be an AWI decline anywhere near what had been projected by some last year based on incomplete information. It may also turn out to be the case that the 2020 AWI relative to 2019 will not have declined, or that any percent decline will be far smaller than the 1.51% AWI decline realized in 2009 when Congress chose not to alter the benefit-determination formula in response.

¹ Page 4 of July 17, 2020 testimony by Stephen C. Goss, Chief Actuary, Social Security Administration, before the House Ways and Means Subcommittee on Social Security (available at [HouseWM_20200717.pdf \(ssa.gov\)](#)).

As you may recall, I asked you a question for the record about CBO's AWI projection following a hearing on September 23, 2020 conducted by the Senate Budget Committee on CBO's budget projections. Your December 18, 2020 response identified that: "CBO will release an updated analysis early next year."

Given data available to CBO at this point in time, what does CBO now project will be the percent change in the AWI from 2019 to 2020?

Sincerely,

A handwritten signature in blue ink that reads "Chuck Grassley". The signature is written in a cursive, flowing style.

Charles E. Grassley
Chairman
Senate Finance Committee